

## Jacqueline Loh: Technology and innovation as the next phase of growth

Keynote address by Ms Jacqueline Loh, Deputy Managing Director of the Monetary Authority of Singapore, at the Opening of Metlife LumenLab, Singapore, 16 July 2015.

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Mr Blair Hall, Deputy Chief of Mission of US Embassy of Singapore  
Her Excellency, Ms Heather Grant, High Commissioner at the High Commission of Canada  
Mr Chris Townsend  
Mr Zia Zaman

Distinguished guests, ladies and gentlemen,

I am very pleased to join you this afternoon at this wonderful location for the official opening of MetLife's LumenLab.

### MetLife and LumenLab

Lumenlab represents a significant milestone for MetLife and Singapore. As MetLife's first and only global innovation centre established in Singapore, LumenLab will shine the light forward on innovative and impactful solutions in health, wealth and longevity that are developed in Asia, for Asia, and for the rest of the world.

### Technology and innovation trends in the global insurance industry

Technology and innovation is fundamentally changing the game for many industry verticals. The insurance sector is no exception. Specifically, new innovation and disruptive technologies are expected to transform the insurance industry in three areas: Distribution, Data Analytics, and Dynamic Products.

**Firstly, distribution.** Today, the agent-broker paradigm is being challenged by the digital consumer, who is empowered by technology to conduct research and purchase directly from the product provider online. Here in Singapore, MAS started this journey ourselves with CompareFirst, which allows consumers to compare and purchase simple life insurance products over the internet. But, more than this, the digital consumer also demands choice and personalisation, transacts with a swipe of their fingers at any time of the day 24/7, and judges products based on peer reviews. Digital consumers are set to grow in significance, especially in Asia. In China, the online insurance market doubled in 2014 to US\$14 billion, representing over 4% of total insurance premiums.<sup>1</sup> The Boston Consulting Group estimates that the online insurance market in India will grow by more than 20 times to hit US\$2.4 billion by 2020.<sup>2</sup>

**Second, data analytics.** Advancements in technology have allowed insurers to unlock new data and greatly improve their ability to assess and price risks. Motor insurance is a case-in-point. In the past, insurers have traditionally relied on historical accidents and claims data to establish premiums and policy conditions. Today, telematics<sup>3</sup> technology has allowed insurers to use real-time data to differentiate between drivers' behaviours and better price risks. However, even as we shift from using historical data to using real-time data today,

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<sup>1</sup> China: Regulator says online insurance mart lacks variety, Asia Insurance Review eDaily (2015).

<sup>2</sup> Insurance @ Digital-20x by 2020, The Boston Consulting Group (2014).

<sup>3</sup> Telematics is the technology integrated with computers and mobile communications technology in automotive navigation systems, which allows efficient real-time transmission of information over networks.

driverless vehicles are already under trial in Singapore<sup>4</sup> and elsewhere, with the help of environmental sensors and navigation systems. This implies that in the future, behaviour may no longer be sufficient indicators of risk, and motor insurance may well shift to become liability insurance bought by car manufacturers.

**Third, dynamic products.** The global insurance industry today, has shrunk in terms of its percentage of global economic activity insured; some estimates put the figure at as little as 10% of global corporate risks covered by insurance. Clearly, risks landscapes are rapidly changing and insurers must look beyond traditional products, and innovate to address new and emerging risks. Yet, innovation eschews the traditional, and thus one of the most significant challenges of established insurers in this area comes from small challengers with big ideas: start-ups. Start-ups are nimble, hungry, and more often than not, represent the very consumers they seek to solve problems for. In the insurance space, these players are moving to directly address the consumer's problem, which at its core, is one of managing risk, and not simply monetary coverage. We already see this happening in health insurance, where start-up insurers are creating new tools such as doctor and drug research, fitness tracking, and telemedicine<sup>5</sup> tools<sup>6</sup> that can interface with each other. In return, policyholders are rewarded with an effective, convenient and holistic healthcare package alongside their health insurance policy.

### **Seizing opportunities using technology and innovation**

With the digital revolution rapidly underway, insurers must adapt quickly to transform their mind-sets and business models. More often than not, established players run the risks of being too focused inwards, on issues such as process efficiency, scalability; and miss such opportunities that start-ups can quickly exploit. The challenge now is for the incumbents to show that they are fully capable of developing solutions to meet the needs of tomorrow's consumers. They need to do this by looking both inwards and outwards, and seize new opportunities using technology and innovation.

**(Inwards)** Insurers must look inwards to transform themselves, to embrace innovation at all levels, and create an environment where staff are empowered to be like start-ups: nimble, flexible, and creative. This is necessary to allow incumbents to compete on an equal footing with new challengers who are not bogged down by pre-conceived notions. Moreover, the very notion of an innovation lab signifies the value of experimentation. It should be recognised that every success will likely be accompanied by several failures, and lessons learnt from failed projects must contribute to a blueprint that ultimately diagrams how success will look like.

**(Outwards)** Insurers must also look outwards to seek collaboration. Collaboration will be the crux to unlock new and non-traditional sources of talent and partnership outside of the financial sector. Through collaboration, insurers can gain access to potentially disruptive ideas and new technologies. Meanwhile, start-ups gain access to the scale of established players to accelerate the development of solutions and test them in a commercial environment. I understand LumenLab already has an existing relationship with NUS, and aims to seek more partnerships across industry sectors such as data analytics, market research, pharmaceutical, and technology, to explore new business opportunities. LumenLab is a prime example of how a large enterprise can create an environment like this within its

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<sup>4</sup> The LTA and A\*STAR has been working on the Singapore Autonomous Vehicle Initiative (SAVI) since August 2014, and has successfully rolled out Autonomous Vehicle (AV) trials in One-North in March 2015.

<sup>5</sup> Telemedicine is the use of telecommunications and IT to provide remote clinical healthcare.

<sup>6</sup> Oscar Health is a New York-based start-up that provides policy holders with telemedicine tools, enables drug and doctor searches, price comparison for healthcare services, and rewards policy holders for hitting activity goals. Obamacare start-up Oscar Health hits a \$1.5 billion valuation, Forbes (2015).

structure, to foster a culture of innovation and entrepreneurship, and partner with organisations across industry sectors and academia in Singapore to identify opportunities for innovation and growth.

### **Singapore as a smart financial centre**

Singapore, too, needs to position ourselves for this new future. We had set our vision to become a Smart Nation that harnesses technology to discover breakthrough solutions in the areas of ageing, mobility and transportation, and importantly, develop a safe and secure data marketplace.<sup>7</sup> Likewise, MAS seeks to create a Smart Financial Centre, where technology is used pervasively in the financial industry to increase efficiency, create opportunities, allow for better management of risks, and improve lives.

To that end, the MAS will pursue a holistic developmental path that is underpinned by smart regulatory and developmental policies that are conducive to innovation. A balanced regulatory approach must encourage financial institutions to thrive on innovation, yet keep risks in check, to maintain the safety and stability of our financial system.

Our development strategy will entail close partnership between MAS and industry, to promote a culture of innovation in our financial sector. We have embarked on a number of key initiatives to develop new capabilities, infrastructure and talent in technology and innovation. Financial services will feature strongly in our national SkillsFuture effort, and MAS will work with industry, the Institute of Banking and Finance, as well as educational institutes to build capabilities in financial technology and innovation. MAS also recently launched the Financial Sector Technology & Innovation (FSTI) scheme, to support the creation of a vibrant innovation ecosystem in Singapore.

The opening of LumenLab today bears testimony to MetLife's confidence in Singapore's proposition as a leading insurance market and our vision to be an innovation hub for new and emerging insurance risks. LumenLab is an enlightened response to Asia's healthcare and retirement needs in the next decade, and is well aligned with MAS' strategy to have innovation-led growth drive our next phase of development as a global insurance market.

### **Conclusion**

Congratulations to MetLife and LumenLab. I look forward to continued partnership with you in Singapore.

Thank you.

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<sup>7</sup> Transcript of Speech by Prime Minister Lee Hsien Loong at Founders Forum Smart Nation Singapore Reception, Prime Minister's Office Singapore (2015).